

# FTSE Developed Core Infrastructure TPI Climate Transition Select Index

v1.3



**FTSE  
RUSSELL**  
An LSEG Business

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## Section 1

# Introduction

## 1. Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the FTSE Developed Core Infrastructure TPI Climate Transition Select Index. Copies of the Ground Rules are available from <http://www.lseg.com/en/ftse-russell/>. TPI stands for the Transition Pathway Initiative.
- 1.2 The FTSE Developed Core Infrastructure TPI Climate Transition Select Index is designed to reflect the performance of stocks, taking into account a specific set of TPI and climate data.
- The FTSE Developed Core Infrastructure TPI Climate Transition Select Index is not designed to align with the minimum requirements for EU Climate Transition Benchmarks or the EU Paris-Aligned Benchmarks<sup>1</sup>.
- 1.3 The FTSE Developed Core Infrastructure TPI Climate Transition Select index takes into account ESG factors in its index design.
- If a tilting approach is used for a ESG data input, the objective is for the index methodology to overweight and/or underweight constituents according to specific ESG criteria. This approach will not remove all companies with exposure to a specific SI activity or sector.
- 1.4 These Ground Rules should be read in conjunction with the following index rules and guides, which are available at <http://www.lseg.com/en/ftse-russell/>:
- FTSE Global Equity Index Ground Rules
  - The Corporate Actions and Events Guide for Non Market Capitalisation Weighted Indices
  - FTSE Global Factor Index Ground Rules
  - FTSE EU Climate Benchmarks Index
  - FTSE Global Climate Index Ground Rules
  - FTSE Infrastructure Index Ground Rules
  - FTSE Capping Methodology Guide
- 1.5 Price and total return indices will be calculated on an end-of-day basis. The base currency of the index is Australian Dollars (AUD) and may also be published in other currencies.
- 1.6 The FTSE Developed Core Infrastructure TPI Climate Transition Select index is calculated on a hedged and unhedged basis. Currency hedging is applied in Australian Dollars (AUD).

<sup>1</sup> The requirements are set out in [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds](#) (the European Benchmark Regulation) and the [Commission Delegated Regulation \(EU\) 2020/1818 of 17 July 2020 supplementing Regulation 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks](#).

**1.7 FTSE Russell**

1.8 FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc. and FTSE Fixed Income Europe Limited), FTSE Fixed Income LLC, FTSE (Beijing) Consulting Limited, Refinitiv Benchmark Services (UK) Limited, Refinitiv Limited and Beyond Ratings.

1.9 FTSE Russell hereby notifies users of the index that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the index and therefore, any financial contracts or other financial instruments that reference the index or investment funds which use the index to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.

1.10 Index users who choose to follow this index or to buy products that claim to follow this index should assess the merits of the index rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell (or any person concerned with the preparation or publication of these Ground Rules) for any losses, damages, claims and expenses suffered by any person as a result of:

- any reliance on these Ground Rules;
- any inaccuracies in these Ground Rules;
- any non-application or misapplication of the policies or procedures described in these Ground Rules; and/or
- any inaccuracies in the compilation of the index or any constituent data.

## Section 2

# Management responsibilities

## 2. Management responsibilities

### 2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index<sup>2</sup>.

2.1.2 FTSE is responsible for the daily calculation, production and operation of the index, and will:

- maintain records of the index weightings of all constituents;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out periodic index reviews of the index and apply the changes resulting from the reviews as required by the Ground Rules;
- publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews; and
- disseminate the indices.

### 2.2 FTSE Russell

FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc. and FTSE Fixed Income Europe Limited), FTSE Fixed Income LLC, FTSE (Beijing) Consulting Limited, Refinitiv Benchmark Services (UK) Limited, Refinitiv Limited and Beyond Ratings.

### 2.3 Amendments to these Ground Rules

2.3.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to best reflect the aims of the index. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

2.3.2 Where FTSE Russell determines that the Ground Rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the Statement of Principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the Ground Rules should subsequently be updated to provide greater clarity.

<sup>2</sup> The term administrator is used in this document in the same sense as it is defined in [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds](#) (the European Benchmark Regulation) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK Benchmark Regulation).

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## Section 3

# FTSE Russell index policies

## 3. FTSE Russell index policies

These Ground Rules should be read in conjunction with the following policy documents, which can be accessed using the links below:

### 3.1 Statement of Principles for FTSE Russell Equity Indices (the Statement of Principles)

Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Ground Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles, which summarises the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Policy Advisory Board for discussion before approval by FTSE Russell's Index Governance Board.

The Statement of Principles can be accessed using the following link:

[Statement\\_of\\_Principles.pdf](#)

### 3.2 Queries and Complaints

FTSE Russell's complaints procedure can be accessed using the following link:

[FTSE\\_Russell\\_Benchmark\\_Determination\\_Complaints-Handling\\_Policy.pdf](#)

### 3.3 Index Policy for Trading Halts and Market Closures

Guidance for the treatment of index changes in the event of trading halts or market closures can be found using the following link:

[Index\\_Policy\\_for\\_Trading\\_Halts\\_and\\_Market\\_Closures.pdf](#)

### 3.4 Index Policy in the Event Clients are Unable to Trade a Market or a Security

3.4.1 Details of FTSE Russell's treatment can be accessed using the following link:

[Index\\_Policy\\_in\\_the\\_Event\\_Clients\\_are\\_Unable\\_to\\_Trade\\_a\\_Market\\_or\\_a\\_Security.pdf](#)

### 3.5 Recalculation Policy and Guidelines

3.5.1 The FTSE Developed Core Infrastructure TPI Climate Transition Select Index is recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE Developed Core Infrastructure TPI Climate Transition Select Index are notified through appropriate media.

For further information, please refer to the FTSE Russell Recalculation Policy and Guidelines document, which is available on the FTSE Russell website using the link below:

[Recalculation\\_Policy\\_and\\_Guidelines\\_Equity\\_Indices.pdf](#)

### **3.6 Recalculation Policy and Guidelines – ESG Data and Scores**

Where an inaccuracy in ESG data is identified, FTSE Russell will follow the guidelines set out in this document when determining if ESG data should be recalculated.

[Recalculation Policy and Guidelines ESG Products.pdf](#)

### **3.7 Policy for Benchmark Methodology Changes**

Details of FTSE Russell's policy for making benchmark methodology changes can be accessed using the following link:

[Policy for Benchmark Methodology Changes.pdf](#)

### **3.8 FTSE Russell Governance Framework**

To oversee its indices, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defence risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks<sup>3</sup>, the European benchmark regulation<sup>4</sup> and the UK benchmark regulation<sup>5</sup>. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

### **3.9 Real Time Status Definitions**

For indices that are calculated in real time, please refer to the following guide for details of real-time status definitions:

[Real Time Status Definitions.pdf](#)

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<sup>3</sup> IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.

<sup>4</sup> Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.

<sup>5</sup> The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

## Section 4

# Eligible securities

### 4. Eligible securities

- 4.1
- The eligible securities of the FTSE Developed Core Infrastructure TPI Climate Transition Select Index are the constituents of the corresponding underlying index detailed in table 1.
- 4.2
- Securities that are members of the applicable exclusion list are not eligible for membership of the relevant index. The applicable exclusions lists are detailed in table one and the definitions are included in Appendix A. Exclusions lists are refreshed and applied on a quarterly basis, in accordance with the rules in Section 8.

Table 1		Exclusion categories								
Index name	Underlying universe	Conduct related	Product related							
		Controversies	Weapons	Artic Oil & Oil Sands	Thermal Coal	Adult Entertainment	Tobacco	Gambling	Alcohol	Fossil Fuel reserves
FTSE Developed Core Infrastructure TPI Climate Transition Select Index	FTSE Developed Core Infrastructure Index (FDCII)	X	X	X	X	X	X	X	X	X

### 4.3 Excluded companies

- 4.3.1
- Product and activity involvement data is collected from publicly available information by FTSE Russell. Where data is not obtained by FTSE Russell, external sources are used to supplement the data including from Sustainalytics.

### 4.4 Multiple lines

- 4.4.1
- All lines of the same company that are eligible securities are eligible for inclusion in the index, where they are eligible for the underlying index.



## Section 5

## ESG data inputs

## 5. ESG data inputs

5.1.1 The following ESG datasets are used in the construction of the FTSE Developed Core Infrastructure TPI Climate Transition Select Index.

ESG data inputs	Details	Used for selection, weighting or exclusion <sup>6</sup>
<b>TPI management quality (MQ)</b>	FTSE Russell's TPI management quality (MQ) data evaluates and tracks the quality of companies' governance/management of their greenhouse gas emissions and of risks and opportunities related to the low-carbon transition. More information can be found here: <a href="https://www.transitionpathwayinitiative.org/methodology">https://www.transitionpathwayinitiative.org/methodology</a>	Weighting
<b>TPI carbon performance (CP) scores</b>	TPI carbon performance (CP) scores assess how companies' carbon performance now and in the future might compare to the international targets and national pledges made as part of the Paris Agreement. More information can be found here: <a href="https://www.transitionpathwayinitiative.org/methodology">https://www.transitionpathwayinitiative.org/methodology</a>	Weighting
<b>FTSE carbon reserves</b>	FTSE carbon reserves data model provides granular coverage of fossil fuel reserve ownership among publicly listed companies in developed markets and emerging economies. More information can be found here: <a href="#">Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices</a>	Weighting
<b>FTSE carbon emissions</b>	The FTSE carbon emissions dataset provides reported and estimated scope one, scope two and scope three emissions data for both the assets and activities controlled by global publicly listed companies and their entire value chain (upstream and downstream activities). More information can be found here: <a href="#">Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices</a>	Weighting
<b>Product-related data – FTSE Russell</b>	FTSE exclusion lists on the activities of companies with exposure to the products or services that are listed in Section 7 of the <a href="#">Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf</a> .	Exclusion
<b>Product related data- Sustainalytics</b>	Sustainalytics Product Involvement data identifies the nature and extent of a company's involvement in a range of product and business activities. More information can be found here: <a href="https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/esg-criteria">https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/esg-criteria</a>	Exclusion
<b>Conduct related data – FTSE Russell</b>	FTSE exclusion lists on the activities of companies that are directly or indirectly linked to controversial conduct and diversity. More information can be found here: section 7 of the <a href="#">Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf</a> .	Exclusion
<b>Conduct related data – Sustainalytics</b>	Sustainalytics Global Standards Screening (GSS) assess companies' impact on stakeholders and the extent to which a company causes, contributes or is linked to violations of international norms and standards. More information can	Exclusion

<sup>6</sup> Definitions:  
 Selection – ESG data is used to select or rank constituents or calculate minimum scores or thresholds.  
 Weighting – ESG data is used to calculate the weight of a constituent in an index.  
 Exclusion – ESG data is used to exclude companies from the index.

ESG data inputs	Details	Used for selection, weighting or exclusion <sup>6</sup>
	be found: <a href="https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/global-compact-norms-based-screening-and-Guide-to-FTSE-and-Third-Party-ESG-Data-used-in-FTSE-Russell-Indices">https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/global-compact-norms-based-screening-and-Guide-to-FTSE-and-Third-Party-ESG-Data-used-in-FTSE-Russell-Indices</a>	
<b>Conduct related data – RepRisk</b>	The RepRisk Index (RRI) captures and quantifies a company's reputational risk exposure to ESG issues. More information can be found: <a href="https://www.reprisk.com/news-research/resources/methodology">https://www.reprisk.com/news-research/resources/methodology</a>	Exclusion

5.1.2 Further information on ESG data provided by FTSE Russell and third parties used in this index (index) can be found in the following guide:

[Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices](#)

This includes information on the data and standards used for these ESG data inputs. These data sets may include estimated data.

## 5.2 ESG metrics

5.2.1 Please see the FTSE Russell [ESG Metrics](#) website for the scores and values of the environmental, social and governance (ESG) factors listed in Annex II to Delegated Regulation (EU) 2020/1816.

Further details on the metrics methodology and calculation are available using the following link:

[ESG Disclosures Methodology and Calculation Guide](#)

## Section 6

# Index construction

## 6. Index construction

### 6.1 The Transition Pathway Initiative (TPI)

- 6.1.1 TPI assesses companies' progress on the transition to a low-carbon economy on two dimensions: management quality and carbon performance.
- 6.1.2 TPI management quality (MQ) assesses the quality of companies' management of their greenhouse gas emissions and of risks and opportunities related to the low-carbon transition. MQ scores are derived from the climate theme data from FTSE Russell's ESG data model based on TPI's methodology, which is published on the public website: <https://www.transitionpathwayinitiative.org/methodology>
- 6.1.3 TPI Carbon Performance (CP) assesses individual companies' current and projected future emissions pathways and how this compares to the international targets and national pledges made as part of the UN Paris Agreement. Companies that receive an assessment are categorized into different groups, which are described in the [Guide to FTSE and Third Party ESG Data used in FTSE Russell Indices](#).
- 6.1.4 CP assessments are provided by TPI on an annual basis based on the methodology detailed in rule 5.1.1.

### 6.2 Index construction

- 6.2.1 Constituent weightings in the FTSE Developed Core Infrastructure TPI Climate Transition Select Index are determined using FTSE Target Exposure methodology. The weight of the constituent  $w_i$  is:

$$w_i = \frac{v_i}{\sum_j v_j}$$

where:

$v_i = w'_i \times S_{R,i}^a \times S_{E1\&2,i}^{b1\&2} \times S_{E3,i}^{b3} \times S_{MQ,i}^c \times CP_i^{0.5} \times C_i \times I_i \times \Phi_i \times T_i$  and:

- $w'_i$  is the free float adjusted market capitalisation weight of stock  $i$  in the eligible universe.
- $S_{R,i}^a$  is the natural exponents of the corresponding Z-scores of fossil fuel reserve for stock  $i$  (see rule 6.2.2).
- $S_{E1\&2,i}^{b1\&2}$  and  $S_{E3,i}^{b3}$  are the natural exponents of the corresponding Z-scores of low scope 1&2 and scope 3 carbon emissions for stock  $i$  (see rule 6.2.2).
- $S_{MQ,i}^c$  is the natural exponents of the corresponding Z-scores of TPI management quality -for stock  $i$  (see rule 6.2.3).
- $a, b$  and  $c$  are tilt-strength determined at index weighting.
- $CP_i^{0.5}$  is the TPI carbon performance tilt for stock  $i$  (see rule 6.2.4).
- $C_i$  and  $I_i$  are country and industrial ICB tilt respectively for stock  $i$ .

- $\Phi_i$  is the maximum stock capacity/maximum weight tilt for stock  $i$ .  $T_i$  is the turnover control tilt for stock  $i$ .

Table 1 listed all the targets and constraints. See [FTSE Global Factor Index](#) for more details on target exposure methodology.

6.2.2 **Fossil fuel reserves** tilts and **carbon emissions** tilts are based on each company's fossil fuel reserves and scope 1&2 and scope 3 carbon emissions, respectively. These tilts follow the definitions and methodologies as detailed in FTSE EU Climate Benchmark Index Series Ground Rules with the exception of carbon emissions intensity scaled by Sales not EVIC.

6.2.3 The **TPI management quality** is defined in 6.1.2.

6.2.4 The **TPI carbon performance** adjustment  $CP_i^{0.5}$  is assigned to each of the groups detailed in rule 6.1.3 as follows.

- Companies that are aligned to below 2°C (Pulp and Paper) or 1.5°C (all other sectors) are assigned an adjustment factor of 2.
- Companies that are aligned to 2°C (Pulp and Paper) or 2°C (all other sector) are assigned an adjustment factor of 1.5.
- Companies are aligned to the Paris Pledges (Pulp and Paper) or National Pledges/International Pledges (all other sectors) level are assigned an adjustment factor of 0.8
- Companies that are not aligned or have insufficient disclosures to enable such an assessment are assigned an adjustment factor of 0.2
- Companies are that not assessed are assigned an adjustment of 1.

### 6.3 Capacity constraints and minimum stock weights

6.3.1 The maximum stock level capacity ratio and constraints are applied to the index without narrowing as detailed in the FTSE Global Factor Index Ground Rules.

6.3.2 Any company that is aligned to below 2°C/1.5°C or 2°C/below 2°C or in the TPI Carbon Performance assessment with the index weight less than the minimum stock level weight is set as the minimum stock level weight listed in Table 1.

6.3.3 A minimum stock level weight in Table 1 is then applied to the remaining constituents that are not covered in rule 5.3.2. Any security level index weight that is less than this minimum weight threshold is treated as having a zero weight in the FTSE Developed Core Infrastructure TPI Climate Transition Select Index. Any resulting excess weight will be redistributed amongst the remaining constituents and may cause breaches of the constraints in rule 6.3.1.

### 6.4 Country and industry exposure constraints

6.4.1 The maximum active country and industry exposure constraints are defined by the parameters  $P$  and  $Q$  are applied to the index as detailed in the FTSE Global Factor Index Ground Rules.

### 6.5 Index back-histories

6.5.1 The annual fossil fuel reserves, carbon emissions and annual sales data prior to June 2017 are lagged by one year.

6.5.2 TPI data as of September 2018 is used in the index review process prior to 2018.

### 6.6 Relaxation

6.6.1 At each index review, constraints and targets may be relaxed if there is no feasible set of weights that meets all targets within all constraints.

6.6.2 The relaxation will follow the same as the EU Climate Benchmark Index Series. Specifically, industry and country constraints are relaxed first at 1% interval till a maximum +/-20% band. If there is no feasible solution at +/- 20% industry and country banding, the relaxed I/C banding is maintained all targeted active

exposures *except CP, emissions and fossil fuel reserve* targets are reduced by 2.5% and the whole process is attempted again. This process is repeated until a valid solution is achieved up to a maximum of 40 times.

## 6.7 Target exposure indices

6.7.1 Table 2 displays the parameters used in the index.

**Table 2: target exposure index parameters**

Index	Factor exposure targets						Constraints			
	Fossil fuel reserves	Scope 1+2+3 carbon emission intensity	TPI management quality	TPI CP tilt	P***	Q***	Max stock weight (%)	Min stock weight (b.p.)	Max Two-Way Turnover	Max capacity ratio
FTSE Developed Core Infrastructure TPI Climate Transition Select Index	100% lower than the benchmark	30% lower than the benchmark	0.2 $\sigma^*$	½ tilt	0	0.1	5	0.5**	15%	<20x

\* $\sigma$  is the market capitalisation weighted standard deviation of Z-scores in the universe.

\*\*See rule 6.3 for more detail.

\*\*\*See rule 6.4 for more detail.

## Section 7

# Periodic review of constituents

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## 7. Periodic review of constituents

### 7.1 Review dates

- 7.1.1 The FTSE Developed Core Infrastructure TPI Climate Transition Select Index will be reviewed semi-annually in March and September.
- 7.1.2 Index reviews will use stock prices available as at the close of business on the Wednesday before the first Friday of the review month (price cut-off date),
- 7.1.3 The data cut-off dates for ESG data inputs are in the [Guide-to-FTSE-and-Third-Party-ESG-Data-used-in-FTSE-Russell-Indices.pdf](#)
- 7.1.4 The review will be implemented after the close of business on the third Friday of the review month.

## Section 8

# Changes to constituent companies

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## 8. Changes to constituent companies

### 8.1 Intra-review additions

- 8.1.1 Additions to the corresponding underlying index will be assessed for inclusion to the FTSE Developed Core Infrastructure TPI Climate Transition Select Index at the next semi-annual review of the Index.

### 8.2 Intra-review deletions

- 8.2.1 A constituent will be removed from a FTSE Developed Core Infrastructure TPI Climate Transition Select Index if it is being removed from its corresponding underlying index and its weight will be distributed pro-rata amongst the remaining constituents.

### 8.3 Intra-review changes to exclusion lists

- 8.3.1 A constituent will be deleted from the FTSE Developed Core Infrastructure TPI Climate Transition Select Index if it is added to the corresponding exclusion lists detailed in table one in rule 4.1. The deletion will be concurrent with its addition to the exclusion lists.
- 8.3.2 A stock that is removed from a relevant exclusion list detailed in table one in rule 4.1 will be considered for inclusion at the next semi-annual review.



## Section 9

# Corporate actions and events

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## 9. Corporate actions and events

9.1 If a constituent in the underlying index has a stock split, stock consolidation, rights issue, bonus issue, a change in the number of shares in issue or a change in free float, the constituent's weighting in the FTSE Developed Core Infrastructure TPI Climate Transition Select Index will remain unchanged pre and post such an event.

9.2 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide for Non Market Cap Weighted Indices using the following link:

[Corporate Actions and Events Guide for Non Market Cap Weighted Indices.pdf](#)

A corporate action is an action on shareholders with a prescribed ex-date. The share price will be subject to an adjustment on the ex-date. The index will be adjusted in line with the ex-date.

These include the following:

- capital repayments;
- rights issues/entitlement offers;
- stock conversion;
- splits (sub-division)/reverse splits (consolidation); and
- scrip issues (capitalisation or bonus issue).

A corporate event is a reaction to company news (event) that may impact the index depending on the index rules. For example, a company announces a strategic shareholder is offering to sell their shares (secondary share offer) – this could result in a free float weighting change in the index. Where an index adjustment is required, FTSE will provide notice advising of the timing of the change.

### 9.3 Suspension of dealing

Suspension of dealing rules can be found within the Corporate Actions and Events Guide for Non Market Cap Weighted Indices.

### 9.4 Takeovers, mergers and demergers

The treatment of takeovers, mergers and demergers can be found within the Corporate Actions and Events Guide for Non Market Cap Weighted Indices.

## Section 10

# Indices algorithm and calculation method

## 10. Indices algorithm and calculation method

### 10.1 Prices

10.1.1 The FTSE Developed Core Infrastructure TPI Climate Transition Select Index use actual closing mid-market or last trade prices, where available, for securities with local market quotations. Further details can be accessed using the following link:

[Closing Prices Used For Index Calculation.pdf](#)

### 10.2 Calculation frequency

10.2.1 The FTSE Developed Core Infrastructure TPI Climate Transition Select Index will be calculated on an end-of-day basis and displayed to eight decimal points.

### 10.3 Index calculation

10.3.1 The FTSE Developed Core Infrastructure TPI Climate Transition Select Index is calculated using the algorithm described below:

$$\sum_{i=1}^N \frac{(p_i \times e_i \times s_i \times f_i \times c_i)}{d}$$

Where:

- $i=1, 2, \dots, N$
- $N$  is the number of securities in the index.
- $p_i$  is the latest trade price of the component security (or the price at the close of the index on the previous day).
- $e_i$  is the exchange rate required to convert the security's currency into the index's base currency.
- $s_i$  is the number of shares in issue used by FTSE Russell for the security, as defined in these Ground Rules.
- $f_i$  is the investability weighting factor to be applied to a security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. This factor is published by FTSE Russell for each security in the underlying index.
- $c_i$  is the Weighting Factor to be applied to a security to correctly weight that security in the index. This factor maps the investable market capitalisation of each stock to a notional market capitalisation for inclusion in the index.

- $d$  is the divisor, a figure that represents the total issued share capital of the index at the base date. The divisor can be adjusted to allow changes in the issued share capital of individual securities to be made without distorting the index.

## Appendix A

# Exclusions

### Product-related exclusions

	Product involvement categories	Involvement threshold for exclusion
Non-renewable energy	<b>Fossil fuel reserves – coal, oil and gas</b>	
	Companies that own proved or probable reserves in coal, oil or gas	Greater than 50% ownership
	<b>Coal reserves</b>	
	Companies that own proved or probable reserves in coal	Greater than 50% ownership
	<b>Oil Sands</b>	
	Companies extracting oil sands	Greater than 0% of revenues
	Companies owning 10-50 per cent of another company with involvement in extraction of oil sands	N/A
	<b>Arctic Oil &amp; Gas Exploration</b>	
	Companies involved in oil and gas exploration in Arctic regions	Greater than 0% of revenues
	Companies owning 10-50 per cent of another company with involvement in oil and gas exploration in Arctic regions	N/A
	<b>Oil &amp; Gas ICB Sectors</b>	
	<ul style="list-style-type: none"> <li>Pipelines - ICB subsector 6010135</li> <li>Gas distribution - ICB subsector 65102020</li> </ul>	N/A
	<b>Thermal Coal</b>	
	Companies extracting thermal coal	Greater than 0% of revenues
Vice Products	Companies generating electricity from thermal coal	Greater than 5% of production capacity
	Companies providing tailor-made products and services that support thermal coal extraction.	Greater than 5% of revenues
	<b>Tobacco</b>	
	Companies manufacturing tobacco products.	Greater than 0% of revenues
	Companies deriving revenues from the distribution and/or retail sale of tobacco products	Greater than 5% of revenues
	<b>Gambling</b>	
	Companies owning and/or operating a gambling establishment	Greater than 0% of revenues
	Companies manufacturing specialized equipment used exclusively for gambling	Greater than 0% of revenues
	Companies providing supporting products/services to gambling operations	Greater than 5% of revenues
	<b>Adult Entertainment</b>	
	Companies involved in the production of adult entertainment and/or owning/operating adult entertainment establishments	Greater than 0% of revenues

	Product involvement categories	Involvement threshold for exclusion
	Companies involved in the distribution of adult entertainment materials	Greater than 5% of revenues
	<b>Alcohol</b>	
	Companies manufacturing alcoholic beverages	Greater than 5% of revenues
	Companies deriving revenues from the distribution and/or retail sale of alcoholic beverages	Greater than 25% of revenues
<b>Controversial weapons</b>	<b>Chemical and biological weapons</b>	
	Companies producing chemical or biological weapons and their components, including all precursors, munitions, devices or equipment specifically designed for, and used directly in connection with, these weapons. Secondary products and services to chemical and biological weapons that are specific to chemical and biological weapons	Greater than 0% of revenues
	<b>Cluster munitions</b>	
	Companies producing cluster munitions as defined in the convention on cluster munitions and their components, including all precursors, munitions, devices or equipment specifically designed for, and used directly in connection with, these weapons. Secondary products and services to cluster munitions that are specific to cluster munitions.	Greater than 0% of revenues
	<b>Anti-personnel landmines</b>	
	Companies that produce anti-personnel mines as defined in the 1997 Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (Ottawa Convention). Secondary products and services to anti-personnel mines that are specific to anti-personnel mines.	Greater than 0% of revenues
<b>Nuclear weapons</b>	<b>Nuclear weapons</b>	
	Companies that produce nuclear weapons or their components. This includes companies that provide delivery systems (e.g. ballistic missile submarines) or critical services (e.g. maintenance or IT) that are directly related to and specifically designed for nuclear weapons.	Greater than 0% of revenues
<b>Military weapons</b>	<b>Military weapons</b>	
	Companies manufacturing military weapon systems and/or integral, tailor-made components for these weapons.	Greater than 0% of revenues
<b>Firearms</b>	<b>Firearms</b>	
	Companies manufacturing and selling assault weapons to civilian customers	Greater than 0% of revenues
	Companies manufacturing and selling small arms to military/law enforcement	Greater than 0% of revenues
	Companies manufacturing and selling small arms (non-assault weapons) to civilian customers	Greater than 0% of revenues
	Companies manufacturing and selling key components of small arms	Greater than 5% of revenues
	Companies involved in the retail and/or distribution of assault weapons	Greater than 5% of revenues
	Companies involved in the retail and/or distribution of non-assault weapons	Greater than 5% of revenues

### Conduct-related exclusions<sup>7</sup>

	Exclusions	Threshold for exclusion
<b>Controversies*</b>	<b>Human rights</b>	For large and mid-cap size:
	Controversies related to principles 1 and 2 of the UN Global Compact, which is derived from the Universal Declaration of Human Rights. Principle 1: businesses should support and respect the protection of internationally proclaimed human rights.	- Companies assigned non-compliant status

<sup>7</sup> Conduct-related exclusions regarding controversies utilise data sourced from Sustainalytics' Global Standards Screening (GSS) dataset, FTSE Russell and RepRisk. Please refer to the [Guide to FTSE and Third Party ESG Data used in FTSE Indices](#) for further details.

Exclusions	Threshold for exclusion
Principle 2: make sure that they are not complicit in human rights abuses.	For small-cap size:
<b>Labor</b>	- Companies assigned watchlist or non-compliant status
Controversies related to Principles 3, 4, 5, and 6 of the UN Global Compact, which is derived from the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.	
Principle 3: businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	
Principle 4: the elimination of all forms of forced and compulsory labour;	
Principle 5: the effective abolition of child labour; and	
Principle 6: the elimination of discrimination in respect of employment and occupation.	
<b>Environment</b>	
Controversies related to principles 7, 8, and 9 of the UN Global Compact, which is derived from the Rio Declaration on Environment and Development.	
Principle 7: businesses should support a precautionary approach to environmental challenges.	
Principle 8: undertake initiatives to promote greater environmental responsibility; and	
Principle 9: encourage the development and diffusion of environmentally friendly technologies.	
<b>Anti-corruption</b>	
Controversies related to principle 10 of the UN Global Compact, which is derived from the United Nations Convention Against Corruption.	
Principle 10: businesses should work against corruption in all its forms, including extortion and bribery.	

\* For companies excluded, if their Sustainalytics GSS assessment changes, the companies will be considered for removal from the exclusion list according to Rule 7.3.2 in the Guide to the Construction and Maintenance of FTSE Exclusion Lists, which can be accessed using the following link:

[Guide to the Construction and Maintenance of FTSE Exclusion Lists.pdf](#)

## Appendix B

# Further information

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A Glossary of Terms used in FTSE Russell's Ground Rules documents can be found using the following link:

[Glossary.pdf](#)

The FTSE Russell ESG Metrics website can be found using the following link: [ESG Metrics](#)

Further information on the FTSE Developed Core Infrastructure TPI Climate Transition Select Index is available from FTSE Russell.

For contact details, please visit the FTSE Russell website or contact FTSE Russell client services at [info@ftserussell.com](mailto:info@ftserussell.com).

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